

SENATE BILL REPORT

SHB 2456

As Reported By Senate Committee On:
Labor, Commerce & Financial Institutions, February 28, 2002
Ways & Means, March 4, 2002

Title: An act relating to the linked deposit program.

Brief Description: Modifying provisions relating to the linked deposit program.

Sponsors: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Kessler, Hankins, Cooper, Chase, Conway, Jackley, Veloria, Ogden, Kenney, McDermott and McIntire; by request of Department of Community, Trade, and Economic Development).

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 2/21/02, 2/28/02 [DPA, DNP].

Ways & Means: 3/4/02 [DPA (LCF), DNP].

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Keiser, Vice Chair; Fairley, Franklin, Gardner, Rasmussen, Regala and Winsley.

Minority Report: Do not pass.

Signed by Senators Deccio, Hochstatter and Honeyford.

Staff: Dave Cheal (786-7576)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Labor, Commerce & Financial Institutions.

Signed by Senators Brown, Chair; Regala, Vice Chair; Fairley, Vice Chair; Fraser, Kline, Kohl-Welles, Poulsen, Rasmussen, B. Sheldon, Snyder, Spanel, Thibaudeau and Winsley.

Minority Report: Do not pass.

Signed by Senator Honeyford.

Staff: Steve Jones (786-7440)

Background: The linked deposit program was established in 1993 by the Legislature. Under the program, the State Treasurer deposits certain short-term funds in public depositories on

the condition that the public depository make qualifying loans. "Qualifying loans" are those made to certified minority or women's businesses, for a period not to exceed 10 years, and at an interest rate at least two percentage points below the market rate that normally would be charged for a loan of that type. Origination fees are limited to 1 percent of the loan principal. In turn, the bank or other public depository pays an interest rate on the certificate of deposit equal to 2 percent below the market rate for such certificates.

Participating lenders are not required to change their underwriting practices.

The authorizing legislation contained a sunset provision, effective June 30, 2001. This date was extended by the Legislature in 2001.

The Joint Legislative Audit and Review Committee reviewed the program in the summer of 1999. It recommended that measurements be established to evaluate job creation and retention and providing access to capital by minority and women's business enterprises.

Summary of Amended Bill: Qualifying loans are for a term of ten years or less, made to a certified minority or women's business enterprise, with an interest not to exceed an interest rate that is 2 percentage points below the rate that would be charged for a loan for a similar purpose and similar term. The origination fee may not exceed 1 percent of the loan principal. If a borrower loses its certification as a women or minority owned business, the Treasurer must notify the lender who must reduce the loan principal by the amount of the outstanding balance of the loan to the decertified borrower.

The Department of Community, Trade, and Economic Development, in consultation with the Treasurer and Office of Minority and Women's Business Enterprises, must monitor the performance of loans made, including indicators to measure job creation and retention, and providing access to capital by minority and women's businesses.

The termination and repeal provisions are amended to 2008 and 2009, respectively.

Amended Bill Compared to Substitute Bill: The Senate amendment restores the sunset provisions, but extends them an additional five years.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This program needs to continue. It's a proven effective economic development tool that provides access to capital to viable businesses and the support of lenders.

Testimony Against: None.

Testified: Mike Murphy, Doug Extine, State Treasurer's Office (pro); Rep. Lynn Kessler (pro); Sung Yang, Office of Trade and Economic Development (pro); Ahndrea Blue, Governor's office (pro).

